

Department of Administrative Services Internal Service Funds

Summary

Internal Service Funds are generally created to provide a service or product for other State and governmental agencies. Typical services include motor pools, computer centers, central stores, revolving loan funds, etc. They are set up to take advantage of the economies of scale, to avoid duplication of efforts and to provide an accounting mechanism to adequately identify costs of certain governmental services.

The Department of Administrative Services operates those Internal Service Funds that are set up to service all State agencies. These include Information Technology Services (ITS), Risk Management, the Division of Facilities Construction and Management (DFCM) Property Management, the four services in the Division of General Services, (Copy Services, Central Mailing, Central Stores, and Administration), the Division of Fleet Operations, and Debt Collection.

The following statutory controls apply to Internal Service Funds (Sec 63-38-3.5)

1. All Internal Service Fund budgets must be approved by the Legislature.
2. The number of full-time equivalent (FTE) positions must be approved for each Internal Service Fund.
3. No capital acquisitions can be made by an Internal Service Fund without legislative approval.
4. No capital assets can be transferred to an Internal Service Fund without Legislative approval.
5. Rate structure must be approved by Legislature.
6. Working capital must be acquired in the following order:
First from operating revenues, second from long term debt, and last from an appropriation.
7. Borrowing from the General Fund (long term debt) is allowed as long as:
 - a. The debt is repaid over the useful life of the asset.
 - b. The Division of Finance does not allow borrowing to exceed 90% of the net book value of the asset.

**Department of Administrative Services -
Combined Statement of Internal Service Funds**

Revenue	FY 1998 Actual	FY 1999 Estimated	FY 2000 Analyst	Difference 99Est/Analyst
Premiums	\$17,214,200	\$24,410,400	\$25,054,000	\$ 643,600
Lic/Fee/Prm	8,900	120,000	47,500	(72,500)
Dedicated Credits	103,273,300	106,425,900	121,004,500	14,578,600
Transfers	521,900	859,800	391,600	(468,200)
Restricted Rev	2,600	2,600	2,600	
Int Inv Rst	2,751,400	2,857,300	2,871,600	14,300
Intergov'l Revenue	710,400	1,098,000		(1,098,000)
Federal Funds	207,100		150,000	150,000
Total	\$124,689,800	\$135,774,000	\$149,521,800	\$13,747,800

Programs	FY 1998 Actual	FY 1999 Estimated	FY 2000 Analyst	Difference 99Est/Analyst
General Services	\$12,016,300	\$11,894,300	\$13,104,200	\$1,209,900
Fleet Operations	19,932,800	23,848,900	34,314,000	10,465,100
Information Tech Svcs	57,996,200	55,262,200	56,810,300	1,548,100
Risk Management	19,962,100	27,210,400	27,904,000	693,600
Facilities Management	14,754,600	17,023,200	17,167,200	144,000
Debt Collection	27,800	535,000	222,100	(312,900)
Total	\$124,689,800	\$135,774,000	\$149,521,800	\$13,747,800

Expenditures	FY 1998 Actual	FY 1999 Estimated	FY 2000 Analyst	Difference 99Est/Analyst
Personal Services	\$23,774,900	\$24,294,700	\$25,338,500	\$1,043,800
In-State Travel	94,800	169,300	171,600	2,300
Out-of-State Travel	199,800	230,000	255,800	25,800
Sub -Total Travel	294,600	399,300	427,400	28,100
Current Expense	73,763,500	84,065,100	91,117,850	7,052,750
Data Processing	7,030,100	8,777,400	8,967,100	189,700
DP Capital	8,783,400	9,834,800	6,989,700	(2,845,100)
Capital Outlay Deprec.	6,787,100	8,376,700	11,472,200	3,095,500
Pass-Through	609,000	470,900	628,100	157,200
Total	121,042,600	136,218,900	144,940,850	8,721,950
Net Operating Income	\$3,647,200	(\$444,900)	\$4,580,950	\$5,025,850

FTE/Capital/Earnings	FY 1998 Actual	FY 1999 Estimated	FY 2000 Analyst	Difference 99Est/Analyst
FTE Standard	472.7	491.0	490.8	(0.2)
FTE Building Block	0.0	0.0	5.0	5.0
Total FTE	472.7	491.0	495.8	4.8
Auth. Capital Outlay	\$17,670,778	\$34,188,800	\$33,463,900	(\$724,900)
Retained Earnings	\$10,807,574	\$10,408,779	\$14,975,129	\$4,566,350

**General Fund
Borrowing**

According to 63-38-3.5(c) the ISF agency should provide working capital for acquisitions in the following order:

1. Operating revenues
2. Long term debt/General Fund borrowing
3. Appropriation

In no case should the fund enter into a deficit working capital position.

Long term borrowing from the General Fund is allowed under the following conditions:

1. All long term debt will be repaid on a regular basis over the life of the depreciated asset.
2. The agency's borrowing cannot exceed 90 percent of the net book value of the agency's capital assets as of the end of the fiscal year.

As of June 30, 1998, the actual and estimated General Fund borrowing according to the Division of Finance is as follows:

General Fund Cash Deficit by Internal Service Fund			
	FY 1998 Actual	FY 1999 Estimated	FY 2000 Estimated
General Services	(\$2,419,900)	(\$3,764,900)	(\$4,030,600)
Fleet Operations	(20,906,200)	(31,714,100)	(59,003,400)
Information Tech Svcs	(7,520,800)	(7,167,600)	(4,147,000)
Risk Management			
Facilities Management			
Debt Collection			
Total - DAS	(\$30,846,900)	(\$42,646,600)	(\$67,181,000)
DNR Warehouse	(\$1,190,500)	(\$1,191,700)	(\$1,277,263)
DNR Motor Pool	(9,930,300)	(10,000,000)	(9,805,000)
Total - DNR	(\$11,120,800)	(\$11,191,700)	(\$11,082,263)
DHS Data Processing	(\$103,200)	(\$29,700)	
Education ISF	(\$221,100)		
Total, all ISFs	(\$42,292,000)	(\$53,868,000)	(\$78,263,263)

**Compliance with intent
language - 1998
Legislative Session**

The following intent language applied to all ISF divisions: Senate Bill 1, Item 66

It is the intent of the Legislature that Internal Service Funds of the Department of Administrative Services be allowed to add FTEs beyond the authorized level if it represents a benefit to the state and a decrease of FTEs in the user agency. The total FTEs within state government shall not change with this shift of FTEs.

As a whole, the Department will accept 7 transferred FTEs in FY 1999 under authority of the intent language. The Division of Facilities Construction Management (DFCM) transferred one position from DFCM Administration, two positions from Juvenile Courts, one position from Workforce Services, and is expecting to transfer two additional FTEs from Parks and Recreation before the end of the fiscal year. Copy Services transferred one position from the Department of Human Services in FY 1999.

**Recommended Intent
Language**

The Analyst recommends the following intent language to apply to all Department of Administrative Services, Internal Service Funds:

It is the intent of the Legislature that Internal Service Funds of the Department of Administrative Services be allowed to add FTEs beyond the authorized level if it represents a benefit to the state and a decrease of FTEs in the user agency. The total FTEs within state government shall not change with this shift of FTEs. Agencies transferring FTEs to Internal Service Funds shall report to the Executive Appropriations Committee decreased personal service expenditures and corresponding increased Internal Service Fund charges as a result of the transfer.